

Message Text

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ACTION EA-12

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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5545
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AMEMBASSY JAKARTA
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AMEMBASSY SINGAPORE
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E.O. 11652: N/A
TAGS: EINV, ETRD, ASEAN, E
SUBJECT: FOREIGN INVESTMENT IN ASEAN AS SEEN BY AMCHAM
PRESIDENT

REF: (A) SINGAPORE 1708, (B) MANILA 7038

1. SUMMARY. AMCHAM PRESIDENT GEORGE SUTER ACCEPTS RICARDO GUEVARA'S POSTULATION THAT THE PRINCIPAL BENEFICIARIES OF THE ASEAN INDUSTRIAL COMPLEMENTATION SCHEME SHOULD BE ASEAN NATIONALS, BUT POINTS OUT THAT THE LIMITATION OF FOREIGN EQUITY TO A MINORITY POSITION MIGHT NOT ATTRACT MUCH NON-ASEAN CAPITAL INTO THE INDUSTRIAL COMPLEMENTATION PROJECTS. END SUMMARY.

2. GEORGE SUTER, PRESIDENT OF AMCHAM PHILIPPINES, WAS ONE OF THE SPEAKERS AT THE INTERNATIONAL BUSINESS FORUM ON MAY 4-6, 1978 WHICH WAS SPONSORED BY THE ASEAN TRADE FAIR SECRETARIAT AS ONE OF THE EVENTS PROMOTING ATTENDANCE AT THE FAIR. THE FORUM OR SEMINAR WAS ATTENDED BY 54
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BUSINESSMEN, PRINCIPALLY LOCAL JAPANESE REPRESENTATIVES OF THE TRADING COMPANIES, EEC RESIDENT REPRESENTATIVES AND VISITORS, AND A FEW FILIPINO BUSINESSMEN.

3. SPEAKING ON THE SUBJECT "IS THE ASEAN LARGE ENOUGH TO BE CONSIDERED A MAJOR MARKET?", SUTER SAID THE ANSWER WAS EASILY AN EMPHATIC "YES" IF ONLY ASEAN DEMOGRAPHICS

WERE CONSIDERED. HOWEVER, HE WENT ON TO DISCUSS THE SUBJECT IN TERMS OF THE PERSPECTIVE OF AN ASEAN NATIONAL COMPANY VERSUS THAT OF A NON-ASEAN COMPANY (THAT IS, A FOREIGN INVESTOR). SUTER QUOTED FROM RICARDO GUEVARA'S (THE INTERIM EXECUTIVE DIRECTOR OF THE WORKING GROUP ON INDUSTRIAL COMPLEMENTATION OF THE ASEAN-CCI) SPEECH LAST MONTH AT PENANG -- "A FOREIGN INVESTOR SEEKING OPPORTUNITIES WITHIN THE ASEAN INDUSTRIAL COMPLEMENTATION SCHEME SHOULD RECOGNIZE SOME BASIC FACTS AND REALITIES. THE PRINCIPAL OBJECTIVE OF THE SCHEME IS THE ECONOMIC BETTERMENT OF THE REGION, AND THE PRINCIPAL BENEFICIARIES SHOULD BE ASEAN NATIONALS."

4. SUTER'S REPLY TO GUEVARA'S POSTULATION OF ASEAN ECONOMIC POLICY IS RATHER BRIEF AND TO THE POINT, AND RATHER THAN ATTEMPT TO SUMMARIZE IT, WE QUOTE THE TWO PARAGRAPHS OF HIS REPLY. BEGIN QUOTE: WHILE THE FOREIGN INVESTOR ACCEPTS THIS POLICY DECISION BY ASEAN, ASSUMING IT IS SHARED BY ALL FIVE GOVERNMENTS, IT SHOULD BE RECOGNIZED THAT THE PRESENT MINORITY OWNERSHIP PROVISION MIGHT NOT ATTRACT MUCH NON-ASEAN CAPITAL INTO INDUSTRIAL COMPLEMENTATION PROJECTS. WE ALL APPRECIATE THAT INVESTMENT CAPITAL IS A SCARCE COMMODITY, AND THAT IT TRAVELS TO WHERE THE CLIMATE IS MOST FAVORABLE. COMPETITION IS INTENSE, AND WHILE THE ASEAN REGION IS ONE OF RICH POTENTIAL, THERE ARE OTHERS OFFERING SIMILAR PROSPECTS WITH MORE ATTRACTIVE UNCLASSIFIED

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INCENTIVES.

- THERE IS ALREADY A LARGE FOREIGN INVESTOR PRESENCE ENGAGED IN MANUFACTURING IN ASEAN COUNTRIES. ACCORDING TO RECENT COMMENTS BY PHILIPPINE INDUSTRY SECRETARY PATERNO, EXISTING IDLE OR UNDER UTILIZED CAPACITIES OF FOREIGN INVESTORS CAN PARTICIPATE IN THE INDUSTRIAL COMPLEMENTATION PROGRAM. HOWEVER, IF THEY SUBSEQUENTLY EXPAND CAPACITIES, ACCREDITATION WOULD BE NECESSARY, AND WITH IT, THE PROBABLE REDUCTION OF FOREIGN EQUITY TO 49 PER CENT. WE NOTE LESS AND LESS ENTHUSIASM AMONG FOREIGN INVESTORS TO PARTICIPATE AS A MINORITY PARTNER IN JOINT VENTURES REPRESENTING THEIR TRADITIONAL LINES OF BUSINESS IN WHICH THEY PROVIDE THE KNOW-HOW, TECHNOLOGY AND MANAGEMENT. POSSIBLY, AS THE INDUSTRIAL COMPLEMENTATION PROGRAM EVOLVES, SOME THOUGHT MAY BE GIVEN TO PROVIDING INCENTIVES FOR EXPANDED FOREIGN INVESTOR PARTICIPATION. END QUOTE.

5. SUTER'S COMMENTS EVOKED A FAVORABLE RESPONSE FROM HIS AUDIENCE WHICH WAS COMPOSED MOSTLY OF FOREIGNERS. HIS SPEECH WAS REPORTED ONLY IN BUSINESS DAY. TEXT OF HIS

PREPARED REMARKS AND BUSINESS DAY ARTICLE BEING POUCHED
ADDRESSEES. TOUSSAINT

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